Welfare in the Austrian Marketplace: Bridging Austrian and Market Socialist Economics

Abstract:
Austrian economists and market socialists are not usually grouped together, in part because of their usual divergence on policy conclusions. However, Austrians and market socialists have much in common. Market socialists have concluded that central planning is not workable, and many of them have credited Mises and Hayek in this regard, although they have frequently not taken full account of the Austrian theoretical arguments. Austrians in turn have not often responded to market socialist critiques of the free market. Market socialists should incorporate Austrian methodology more completely, but Austrians should also take account of the insights of market socialists, especially on welfare, demonstrated preferences, and the 'optimal' nature of completely free markets. Here I consider Austrian welfare analysis from a market socialist perspective, finding flaws with the assumptions of "demonstrated preferences," and building a case for supplementing markets with redistribution. I then analyze some existing market socialist proposals from an Austrian perspective, finding flaws with them. Finally, I offer a proposal that rests upon both Austrian and market socialist insights, in an attempt to begin to bridge the vast policy divide.

Introduction

Economists of the Austrian school predicted many of the problems that were in fact encountered in socialist economies, and which market socialists recognize. Although Austrian economists first predicted these failings, market socialists are among those economists who have learned the most from the experiment with socialism in the Soviet Union[1] and elsewhere. Because they have had a vested interest in determining the best way to reach the goals that all socialists have advocated—greater equality and a reasonable standard of living for all persons, etc—they have spent a great deal of time analyzing the problems with central planning, learning the benefits of markets, and working on ways to leverage the powers of the market system toward the ends that they seek.

Seeing the significant failures of the model of central planning, market socialists have come to the conclusion that the use of markets is necessary. Christopher Pierson (1995: 88) summarizes: "The core premise of the market socialist position is then a largely negative one. The market is indispensible, not as an *optimal* way of arranging society's political and economic affairs, but rather as the *least worst* form of such an organization under prevailing conditions." It is this realization that not only unites but also defines market socialists. Pierson (1995: 85) explains that: "While not itself 'defeatist', [market socialism] is a form of socialism which has clearly been tutored by (an often painful) experience." He quotes Miller (1989: 9) who describes market socialism as representing "an attempt to come to terms with [the] defects in state socialism and social democracy while still holding on to certain core socialist ideals."

Market socialists recognize that the defects of state socialism or central planning include not only its inefficiency, but also its restrictions on freedom. Pierson adds that "in the preface to his outline of a market socialist polity, Radoslav Selucky approvingly quotes Keynes's claim that 'the political problem of mankind is to combine three things: economic efficiency, social justice and individual liberty'. It is this reconciliation which the market socialists strive to realize."

Pierson (1995: 89) also provides quotes of well known market socialists that illustrate their agreement about the benefits of markets. These benefits, unlike those of the perfect competition of the neoclassical school, are ones which with Austrian economists would agree. For example, market socialists believe that markets are "the most efficient way of coordinating decentralized economic decision-making;" and markets provide "an excellent way of processing information, while simultaneously providing incentives to act upon it." Furthermore, they "encourage innovation both in production techniques and in the goods themselves;" they "disperse economic power;" and the market "can provide incentives for people to act in a way that is socially desirable, without further central direction." Finally, market socialists argue, "profit maximization under the right conditions (which include a competitive environment for the firm) leads to an efficient allocation of resources [and] we have no example of a large economy that has operated successfully without profit maximization as a goal of firms."

In addition to recognizing the failings of central planning, and the benefits of decentralized exchange, markets, and profit, many market socialists recognize the theoretical reasons for the calculation problem under public ownership. David Miller (Miller, 1989:217) sums up the economic calculation problem in just a few sentences, grasping the main thrust of it completely:

> [I]n the absence of an exchange system there is no readily available standard of value that would enable each person to measure his productive contribution (he can calculate his hours of work, of course, but not the relative utility of working at task X or task Y). Thus there is no possibility of norms emerging which would indicate the value of the work each person must perform to discharge his social obligations.
> …The advantage of a market system, from this point of view, is that it allows people to assess the relative contributions they would make in different lines of work, and so to balance their social contribution against their personal needs. Such potential contributions will be signaled, albeit imperfectly, in the prices that labour can command in different branches of production.

However, market socialists also point to certain shortcomings of the market system when left free of government interference. In particular market socialists tend to agree that, while rewarding merit is a positive aspect of markets, markets are neither truly meritocratic, nor is meritocracy a perfect solution if they were. Market socialists point out other failings of the market: externalities (Miller 1989b) as well as market failures. For example, (Le Grand and Estrin 1989:10-11):

> [A]llocation by markets can fail completely when the good under consideration is consumed collectively, or has to be produced monopolistically to exploit economies of scale. Serious allocative problems will also emerge if there is complete *laissez-faire* in the allocation of capital or goods with major spillover effects. The other side of the decentralization coin is the 'anarchy of the market', with excessive price volatility and waste from duplication of effort and capacity. The informational and incentive advantages of the market system may be offset by systematic overshooting of prices and inadequacy of response to purely material motivations. Markets may therefore be weak in inducing non-marginal changes in the structure of the economy. Finally markets have a tendency to aggravate wealth and income inequalities, and the problem cannot be dealt with entirely by taxation, at least in the short term, because of the effect on incentives.

Austrian economists might dispute some of these alleged failures; however, if there are any valid criticisms of the welfare and efficiency aspects of pure laissez-faire markets, markets may require some fine-tuning.

Austrian welfare economics

Some purist laissez-faire Austrians, in particular Murray Rothbard and his followers[2], argue that there is nothing that government can do that would raise social welfare. If individuals wanted the goods and services that government provides they would buy them in the market, and they would be cheaper and their production more efficient.[3] As Jeffrey Herbener wrote in a paper entitled "Austrian Methodology: The Preferred Tax Type":

> It does not suffice to retort that the government provides services to the individual; so does the protection racket. The point is that the individual demonstrates that these services are not worth their opportunity cost when he chooses not to purchase them on the market.

How do these Austrian economists come to this conclusion? Martti Vihanto (1999: 9) describes the "first major proposition of Austrian welfare economics" in the following manner. Due to the need for unanimity (or Pareto optimality) and given the subjective nature of preferences, "the private knowledge of the individuals has to be somehow first revealed before an economist can present his appraisals of welfare."

In his 1956 article "Toward a Reconstruction of Utility and Welfare Economics" Rothbard (1956: 261) reaches this conclusion. He argues that "the tool of Demonstrated Preference, in which economics deals only with preference as demonstrated by real action, combined with a strict Unanimity Rule for assertions of social utility, can serve to effect a thoroughgoing reconstruction of utility and welfare economics." Rothbard applies the criterion to the market, but given that he sees "the free market [as] the name for the array of all the voluntary exchanges that take place in the world" (p. 250), his welfare appraisal comprises "social contracting" as well as regular market exchange.

Rothbard argues that any exchanges not demonstrated in the market cannot be considered by the economist because "the assessment of choice apart from action depends upon conjectures inadmissible into praxeology." Yet, what if, for example, some potential market participants were somehow prevented (e.g., by inclement weather during travel to the marketplace) from expressing themselves in the market, could not some inference be made that they very likely have lower utility than those who were not prevented from engaging in market exchange?

If market exchange is voluntary, as Rothbard asserts, then being prevented from making an imminent exchange must lower perceived utility at that moment. This is the same argument that Rothbard makes against government interference in the marketplace—it prevents utility-increasing voluntary exchange. Hence, although these individuals have not expressed themselves in the market, one can deduce that their utility[4] is lower—whether it was lowered by government or by inclement weather. If this is the case, then the economist must be able to extrapolate utility about individuals from something other than active demonstration in the market.

Furthermore, does it make sense to consider all market exchanges to be completely voluntary? As a thought experiment, imagine that a person has a severe skiing accident. The individual falls in the snow, breaks both arms and legs and is immobilized until frostbite and hunger leave the individual at the edge of death. Another skier finds the individual at the edge of death and offers him a contract: I will take you to safety and give you food, warm blankets, and medical care if you sign away your freedom, and agree to become my slave for life. Would this be a valid contract? The individual must choose between the accepting the offered terms or losing his life; would this be a "voluntary" choice?

Rothbard (1993) limits his arena of market exchanges to voluntary ones, arguing that "exchanges are not necessarily free. Many are coerced. If a robber threatens you with "Your money or your life," your payment to him is coerced and not voluntary." In much of his work, and the work of his followers, examples of government policy are described as forcing the individual to do something "at the point of a gun." The implication here is that something is no longer a free choice if the choice is between doing the thing and death. Although the "gun" may represent the possibility of capital punishment or a SWAT team that might actually shoot the citizen, more often it is shorthand for a period of confinement (loss of liberty). If coercion may be defined then as reducing a choice from a free choice to a choice between the contract and either *death* or *loss of liberty*, it may be applied either to a person or to an institution or circumstance.

Although Rothbard defines the terms "freedom" and "voluntary" as consisting of an absence of coercion, and in turn, "coercion" as an infringement upon the liberty of person B by person A, these terms need not be distinguished by an active and conscious coercive act on the part of one party against another. David Miller (1989) argues convincingly against this kind of definition. He considers public and private coercion, and then asks (Miller 1989: 29-30) whether a reduction in freedom[5] must come from coercion at all:

> Why, from the point of view of negative freedom, should it matter whether I am obstructed in order to serve another's will, or for some other reason? The negative view takes the agent with his plans and desires and looks at the extent to which his environment obstructs his (actual and potential) aims. Coercion is one form of obstruction—perhaps a particularly unwelcome form—but in principle no different from other kinds. Consider the following example. A rancher each year drives his cattle across open country to sell them at market. One year he finds that his route has been blocked by a settler who has purchased a tract of land and fenced it in. The rancher's freedom has been reduced in a manner that appears not to depend at all on the intentions of the settler. The settler may have intended the rancher to give up his trade, in which case the fencing could be seen as an act of coercion. Alternatively, the settler may have had no other thought than the desirability of fencing in his own territory. … The extent of a person's freedom depends on the number of potential actions of his that are obstructed, not on the reason for which they are obstructed.

This argument can easily be extended to include obstruction not just without intention, but not by a human actor at all: the rancher's freedom could be obstructed by the landing of a meteor or the flooding of a river. Whether government obstructed the rancher's path by imposing a law that mandated that ranchers avoid fertile grassland, or imposed a large fine for crossing such land; whether the rancher's freedom was obstructed by a private ill-intentioned or well-intention private party; or whether it was obstructed by an accident of nature should not matter to the objective recognition of the change in breadth of freedom which the rancher retains. As Miller (1989: 32) summarizes: "the distinction between deliberate and accidental obstruction seems to have no significance from the point of view of freedom."

If freedom can be obstructed by individuals or by faceless institutions, or by objects, then it seems to follow that, similarly, the definition of "voluntary exchange" must be limited not to those exchanges that lack an *individual* threat of violence or "coercion" but to all those exchanges that are not made by necessity—that are not a choice between something and death or loss of liberty. In other words, if limitation of liberty does not require intentional or even unintended coercion, nor should non-voluntary exchange require coercion on the part of state or private actors.

Miller makes a similar argument and suggests (1989: 32) a possible rebuttal: "Laws, for instance, require positive enactment; but if economic conditions are such that some people are unable to obtain paid work (say), this at most reflects the failure of other agents generally to provide sufficient employment opportunities." It is a distinction of commission versus omission. Miller argues that the line is blurry; however one might also argue that, for the purposes of whether demonstrated preferences actually reflect the preferences of the individuals in a society in such a way as to maximize social welfare, it simply makes no difference whether an act of commission or omission was involved.

Seen in this way, a choice of entering a slavery contract (which will provide the person food and warmth) or not entering the contract (and being left to die) would not be a true choice, but instead a coerced choice, even though the contract is nominally "voluntary." In the above example, one skier is not threatening to actively kill the other, but to passively let him die (one might say that it would have been a "sin of omission" to let him die when he could have helped). Even this "passive" level of involvement by persons may be excluded: what if a person is starving and his only choice is to eat cans of chicken fat (stocked in the remote mountainside store) or to die – does this mean that the man enjoys chicken fat? Certainly he enjoys it more than dying, but so too does the man who gives away his wallet to a mugger, or buys state-provided food rather than dying. Does this mean that the mugged man enjoys giving away his wallet, or the Soviet man enjoys buying the "coercive" monopoly state food?

Hence, the Rothbardian conclusion regarding demonstrated preference is unwarranted. All "demonstrations" of preference are not equal, and all relevant preferences are not necessarily demonstrated. It is clearly wrong for Herbener to say of a sick or mentally ill and indigent homeless person that he does not want the government to provide him housing, a wheelchair, food or other help on the basis that he has already demonstrated that he does not value these goods and services more than their opportunity cost by not purchasing them in the market.

The demonstrated preferences concept has a very obvious flaw: It ignores the distinction between *willingness to pay* and *ability to pay*. The concept of demonstrated preferences relies on the cyclical aspect of the market—that one is free to earn as much as she likes, and hence to consume as much as she wants and needs. Yet, even with full property rights and complete freedom, the cycle of earning and consumption remains incomplete so long as there are natural or luck-based discrepancies in earning power, most obviously among those who are not capable of working at all.

Luck, preferences, and market efficiency

This critique extends beyond the Rothbardian notion of demonstrated preference and social welfare maximization of the market. More broadly, the Austrian assumption of consumer sovereignty and the entrepreneur guided by market prices and profit falls short where the consumer is incapable of expressing demand because he is incapable of working. For example, profit will not induce entrepreneurs into the wheelchair business or to care for the chronically ill if the individuals who would demand these goods and services cannot afford to pay for them. As Ludwig von Mises (1949:270) wrote,

> The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer the ship. A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the

> captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

Yet, if the disabled individual cannot work and hence has no income, he cannot affect the price or create profit for the entrepreneur. If the consuming individual is the captain and directs production, the preferences of the non-consuming individual, although he only does not consume because he cannot work and earn money to spend, will not be met by the market.

In the purest Austrian conception of the market, each person works where he “chooses” and earns the wage at which the market values his labor, and then uses this income as a consumer and investor in the market. In such a conception there would be no demand for products and services for the chronically ill (assuming these chronically ill are not capable of working). If there are no profit opportunities in the market for these profits and services, there will be no innovation and the market itself will die out.

Hence, the market cannot meet (let alone maximize) the preferences of all individuals – at best it could maximize welfare for working individuals. In the laissez-faire market the only remedy for this is through charitable aid (including aid by family members), which means that there must be *demand for the chronically ill*, which will form a secondary market. Those who demand that the chronically ill remain alive (including family and community organizations) must use their resources to maintain them. In turn, those who spend some of their money helping non-working individuals will have less money to fulfill their own personal preferences.

The secondary market may also be plagued by the same problem: an *inability* to pay, rather than a lack of willingness. The cost to maintain the chronically ill can be very high. The concentrated cost of maintaining a family member who is burdened with a chronic disease can run into six figures each year, and onset may be sudden. Is the welfare of the community maximized if broad demand for the healthy lives of these individuals is required in order for their preferences to be demonstrated in the market (even though this would reduce the expression of the donor’s own preferences)? What if the well-beings of these individuals is a public good? In general, charity can be said to have qualities of a public good, as individuals free-ride off the contributions of others, and the health and well-being of the disadvantaged may offer something to the society in excess of what each individual is willing to pay for it.

Prices also convey knowledge and meaning. If some individuals cannot express their demand in the market then their values will be underrepresented. As an example, we might postulate that Anne is disabled and cannot work. In a completely free market, in order for Anne to demonstrate her preferences, and thereby affect the market with her values, the funds to purchase products must be provided voluntarily by those who have a demand for Anne's livelihood. Hence, either Anne's family must spend a portion of their earnings maintaining her, or a large numbers charitable donors each must spend a smaller portion of their earnings in a secondary market for Anna's livelihood. Those who choose to help Anne probably share her values. Yet, if Anne and those who support her share common values then these values will be underrepresented in the market as a whole. Even if Anne is able to express her complete set of preferences regarding her primary needs, the expression of the values shared by her and those who helped her will be less as they have had to sacrifice a portion of their consumption in order to support her.

If we do not take account of those in society who cannot work, or who cannot work enough to cover all of their necessities, then welfare theory loses much of its power. We can only say that demonstrated preferences reveal the market's ability maximize welfare for those in society able to work and earn at their greatest potential. This has profound implications. About 7 out of 300 million Americans, or 2.3 percent, reported poor health in 2008, and a total of 13 percent reported "fair" or poor health (the lowest two in a choice of 5 categories), according to the Centers for Disease control.[6] In addition to those in poor health, there are individuals who have family in poor health, for example disabled children that they must care for; other individuals might have low intelligence, or other handicaps that will reduce their earning and therefore consumption power purely due to luck and not a part of their own demonstrated willingness to work.

Taking this argument a step further, the luck of birth and other accident magnifies and sometimes determines the level to which each individual is able to work and earn, and hence his power to demonstrate his full range of preferences in the market; therefore "demonstrated preferences" is a heavily weighted indicator, revealing the "votes" of the lucky many times, and those least lucky not at all. The market will also reflect the preferences of those who *choose* to earn more and spend more over those who choose to spend their time with charitable work or subsistence living. On the one hand it makes sense for the market to best reflect the preferences of those who actively engage it; on the other hand, this means it will perpetuate those preferences and fill those desires, not the desires of the less actively engaged individuals (who, for example, might not value consumption as much as nature, but are unable to purchase anything that expresses this preference). Again, if the market is capable of any "maximization of welfare," it would only be of a subset of society.

Endogenous Preferences

If the market is slanted or tilted toward the lucky and the active participants, this outcome also affects market participants' preferences. Individuals are influenced by what those around them purchase, but also the prices and availability of goods is determined by what the most active producers and consumers have already purchased. This in turn may also affect the preferences of individuals. This is another aspect of the market process that

Austrian economists tend not to account for, despite modeling many evolutionary attributes of markets. Geoffrey Hodgson (1998: 165) remarks of Austrian modeling,

> For the purposes of their theoretical enquiry, individuals are regarded as if they were born with a fixed personality; they are not constituted through social processes. The analysis has then to proceed from these given individuals to examine the spontaneous order that may emerge; it does not consider the kind of individual that may emerge from a social order of a given type, and contribute further to the evolution of the social order in the future.

With fixed preferences there is a lack of evolutionary feedback; but in the real world preferences are not fixed but mutating, and influenced by the system itself. Austrian economists describe the market in evolutionary terms. Yet, even Austrian economists fail to take this into account. "Thus, despite their laudable appeals to an evolutionary conception of the emergence of social institutions, Hayek, Sungden and others do not consider the evolution of purposes and preferences themselves," Hodgson (1998: 165) continues. "A fully evolutionary view would take into consideration both the emergence, and effect of, the cultural and institutional framework on the purposes and actions of the individual."

David Miller (1989: 129-130) also explores this question. In addition to questions of efficiency (along neoclassical lines, for example "tendencies to monopoly"), Miller argues that there is

> another line of attack [against laissez-faire], which begins from the observation that most of the desires people manifest in market economies are artificially induced. They are not rooted directly in human biology or psychology. Instead they are fostered by the process of production itself, either deliberately, for instance by advertising, or incidentally, as when the very appearance of a new product creates a demand for it. This observation appears to cut the ground from beneath the efficiency arguments for markets. On the face of it, the very idea of efficiency presupposes an independently given set of wants in terms of which the comparative effectiveness of different stems of production could be estimated. If markets create the demands that they then proceed to satisfy, the argument becomes damagingly circular.

It would actually contradict Austrian axioms to postulate that preferences are given outside of societal context. Action, as defined by Ludwig von Mises (Mises 1949), is taken by the individual "for the removal of felt uneasiness." This "uneasiness" is the product of the individual's existing situation in the given society. His situation may be that he lacks sufficient food and must purchase it. However, it could also be that he feels this "uneasiness" because he has a smaller television than his neighbor, or because he lacks a DVD player to go with his television.

If preferences are endogenous, what does this mean for demonstrated preferences? The market fills the "demonstrated" demand for electronics, large houses, and other material goods. Yet, if contingent upon the market system, might one rationally conclude that we cannot take this preference as given. Instead of asking which system best fills the desire for these market goods, we might instead ask which system produces the best combination of demonstration of true preference and fulfillment of it?

If demonstration of true preference is improved by, for example, income supplement for those without earning capacity, and other adjustments for luck-determined earning potential, then arguably even if this system also produces a lower total output per capita, it might better fulfill the true preferences of society—which might further change given changes in social relations caused by the altered nature of the market system. Hence, one cannot deduce the relative level of welfare between two systems or policies based solely upon the level of GDP per capita in them.

This is not a foreign concept for Austrian economists. In a review of Chris Sciabarra's book *Total Freedom: Toward a Dialectical Libertarianism*, Steven Horwitz (2004: 457-8) summarized the dialectical-Austrian shared respect for the endogeneity of preferences: "Outcomes at the system level must be understood as the emergent result of their components, while any analysis of the behavior of the components must be understood in the context provided by the system as a whole. For social scientists, this means a continual tacking back and forth between individuals and institutions."

This is not simply a call to recognize the "unintended consequences" of a policy that, for example, redistributes wealth to the poor in the form of a welfare system. There are effects on the individual from private property institutions as well as from policies and public provision. In the same review, Horwitz (2004: 459) discusses Sciabarra's recognition of the effect that the free labor market, and its acceptance of women, had on the makeup of the family:

> The unpredictable evolution of the spontaneously ordered market will both pull down old, and throw up new, cultural practices. For example, any analysis of the changes in the social institution of the family in the last fifty years that only sees it as the (unintended?) result of misguided public policy will miss the central role played by the increase in wealth market have made possible, and the corresponding widening of labor market opportunities for women and lowered cost of substitutes for their household labor. The increased presence of women in the labor force, and the consequent changes in the Western family, are cultural manifestations of the dynamism of the market. Similarly, capitalism's longer-run role of separating market production from the family unit has meant that individuals need not be part of a "traditional family" in order to survive economically.

These cultural changes are due to the market, not to interventionist policy, and they necessarily have an effect on the preferences of the individuals in the system. These preferences will then be expressed as demand in the market, creating profit opportunities for those willing to fill these new and different needs. Hence the market itself creates a spiral in which new market demand and supply are created endogenously within the market as the system's outcomes affect the individual and the individual in turn affects the system. The new opportunity to work will alter the preferences of these women and households as they may now find they "require" time-saving appliances like microwaves, and they may also find they "need" to send their children to daycare centers and after-school programs. These in turn alter the marketplace. There will be greater profit potential creating time-saving appliances if more households demand them, and more entrepreneurs will be drawn into that industry. Similarly, if more children attend after-school programs this may affect the entrance requirements or expectations of later school and higher education programs, if they value such activities in prospective students' applications.

This endogenous cycle of the market acts as a multiplier of the preferences that "win" in the market. The most powerful and lucky individuals in the system—the strongest market participants—affect the market with their preferences (e.g., for dishwashers), the system affects the other market participants (inducing them to buy dishwashers), which in turn affects the system further, multiplying the effect of these dominant preferences. The voices of the weak, unlucky, and materially disinterested are further drowned by this process.

If the market system affects preferences endogenously and there is less expression of the sick, elderly, temperamentally non-acquisitive, and those who care most deeply for them; and meanwhile the more acquisitive members are able to first compound their earnings through investment, and then multiply their effect on the market by influencing preferences; then they will exert a disproportional effect on the market. The market may be heavily lopsided, reflecting the preferences mainly of the few most acquisitive members of society.

The marginal utility of money

There is also a welfare argument that can be derived from the diminishing marginal utility of money; especially near the necessity-level. Just as Austrians argue that individuals have diminishing marginal utility from additional units of particular goods, one can argue that individuals have diminishing marginal utility for additional units of money. Mises (1946) argued that "Acting man values things as means for the removal of his uneasiness."

Not only may some of the goods and services valued be a result of context, others may simply be luxuries that remove only minor "uneasiness" or act to provide "instant gratification." The uneasiness is distinctly more acute for obtaining necessities than for the purchase of additional luxury goods. Some Austrian economists have recognized this. For example, Menger (2007 : 122-123) put it this way:

> As concerns the differences in the importance that different satisfactions have for us, it is above all a fact of the most common experience that the satisfactions of greatest importance to men are usually those on which the maintenance of life depends, and that other satisfactions are graduated in magnitude of importance according to the degree (duration and intensity) of pleasure dependent upon them. Thus if economizing men must choose between the satisfaction of a need on which the maintenance of their lives depends and another on which merely a greater or less degree of well-being is dependent, they will usually prefer the former.
> … The maintenance of our lives depends on the satisfaction of our need for food, and also, in our climate, on clothing our bodies and having shelter at our disposal. But merely a higher degree of well-being depends on our having a coach, a chessboard, etc.

In the Austrian conception, the concept of marginal utility is rooted not only in the idea that the seventh slice of pizza that you could purchase would be less desirable than the first, but also that the first need that we fill with our limited resources is the most important need; the second need is the second most important, and so forth.
An article on the Mises Institute website (Shostak 2007) described it this way:

> Consider John the baker, who has produced four loaves of bread. The four loaves of bread are his resources or means that he employs to attain various goals. Let us say that his highest priority or his highest end, as far as his life is concerned, is to have one loaf of bread for himself. This means that John will retain for his personal consumption one loaf of bread.
>
> The second loaf of bread helps John to secure his second most important goal, as far as life is concerned, and that is to consume five tomatoes. Let us say that John was successful and finds a tomato farmer that agrees to exchange his five tomatoes for a loaf of bread. John uses a third loaf of bread to exchange it for the third most important end, which is to have a shirt. Finally, John decides that he will allocate his fourth loaf to feed wild birds.

This simple example reveals the over-arching point with which market socialists would agree: the marginal utility of the millionth dollar of annual income is going to be lower than the marginal utility of the first dollar. Austrian economists may reply that one cannot compare utility between two different individuals—although the marginal utility of my millionth dollar may be less than of my first, this says nothing about how it compares to the marginal utility of your first dollar—however this does not seem to square with Menger's observation that for all of us the primary needs are *primary human needs*. It is a difference between the "satisfactions of greatest importance to men" and those which offer "merely a higher degree of well-being."

The same process, Menger goes on to explain, occurs with the satisfaction of specific kinds of goods; for example, while shelter is needed, and additional room is desired, there is a point at which ever-larger housing becomes a matter of indifference, and then even a burden. For some kinds of goods, the reason for diminishing marginal utility is simply because we view the use of the good in time: the seventh slice of pizza which has less value does so because it is not for consumption a day or a week later but now; the diminishing value of iron because a given project requires no more, etc. However, this would still imply that the utility of one person with a large amount of unspent money would be diminished less by loss of some portion of it than would be the utility gain by a starving child to whom the money was given.

It would be easy to take this concept too far by, for example, calling for the equalization of incomes. First, even if basic needs are always higher than other needs, this does not mean that utility would be maximized if all incomes were equal: some people would value other needs more highly than other people would. Even if one determined that all marginal utilities were identical (which is highly unlikely), and therefore equalizing incomes would "maximize utility," (1) there would be extreme problems of implementation, and (2) this consumption utility would not represent real welfare—for example, what if equalization entailed a loss of freedom?

Furthermore, money beyond that which is necessary to satiate basic needs is not used exclusively for personal consumption. If redistribution is costly, allowing the wealthy to invest and share their excess income may actually raise the utility of the poor compared to a program of government transfers (because of the waste of implementation). Market socialists often take this insight too far, but it is nevertheless real.

For all of the above reasons, market socialists have argued that the market should be supplemented. It should not be replaced by central planning because, despite its flaws, the market system is far superior to central direction. Yet, alone it is not optimal, and some intervention may improve it. The extent of that intervention is widely disputed within the market socialist school, and will be the subjection of discussion below.

Austrian analysis and market socialist propositions

The Austrian economic school was the only modern school to predict and explain the problems of calculation in a socialist society, and to apply the implications of this to government intervention in markets, as well for use in analyzing the benefits of markets and market competition. Although market socialists have taken many lessons from the experiment with central planning, and have cited Austrian economists in this regard, they sometimes rely upon neoclassical economics for their critique of markets and their predictions of the benefits of government intervention.

There are strong Austrian arguments against many market socialist proposals based upon the same analysis that warned against central planning, and which remain relevant even given the lopsided nature of market welfare fulfillment. A particularly important one regards certain proposals to socialize all capital goods or all large corporations. Although Ludwig von Mises famously argued that market prices in free capital goods markets were necessary for a functional economy, many market socialists argue that eliminating capital markets, or at least severely restricting capital ownership, is central to a market socialist option. Some market socialists have considered the Austrian arguments, and quote Mises or Hayek in their work (some, like Roemer (1994) and Burczak (2006), actually shape their own proposals on the basis of the Austrian arguments). However, others still argue for complete elimination or extreme attenuation of capital ownership without addressing Mises' calculation arguments; for example Plant (1989) and Pierson (1995); Burzcak (2006: 143) discusses the absence of prices in a proposal put forth by Michael Albert and Robert Hahnel. David Prychitko, as discussed below, has also criticized market socialists for failing to take account of the Austrian arguments.

The most basic definition of the market socialist position (Ollman et al, 1998: 10) is that (1) markets need not be identified with laissez-faire or "capitalism;" (2) central planning is a flawed system; and (3) markets are necessary and market socialism can work. Beyond this, market socialists differ on how to supplement or modify markets in order to bring something "socialist" to the system. Many market socialists advocate some amelioration of capital goods ownership, but there is a broad spectrum of opinion on this topic. Pierson (1995: 99-100) summarizes four basic positions with regard to the ownership and management of capital goods by market socialists:

1. *The Libertarian position* socialism implies no more than equal entitlement to the means of production, with the question of how people choose to use their endowments left entirely open.
2. *The Social Democratic Position* capitalist forms are an acceptable component of socialism provided that the state uses its powers of taxation and regulation to correct income deficiencies and so forth.
3. *The Codetermination position* the respective rights of capital and labour in the enterprise should be redefined in the form of a capital – labour partnership, with each party being allocated a pre-determined share of profit.
4. *The Workers' Co-operative position* enterprises in market socialism should normally take the form of workers' co-operative, with capital supplied externally and entitled only to earn interest.

A basic income (to purchase a portfolio of stocks) given to each citizen might be an example of a libertarian market socialist proposal for redistribution of the value earned from capital goods. Although such a proposal may face problems, it would not suffer from the consequences enumerated in the Austrian critique of common ownership over capital. Other market socialist proposals do. John Roemer, who explicitly addresses Hayek's critique of socialism in the formation of his proposal, offers a model that is probably closest to the Worker Co-operative position, taking it farther than what is described above.[7]

Roemer defends his solution on the basis, for example, that it surmounts the planning problems of centralized investment by only modifying interest rates, which he argues suffer from problems of market failure in laissez-faire economies and are therefore safe to tweak. Hence he accepts Austrian analysis of central planning, but answers Austrian critiques of market socialism using a (non-Austrian) neoclassical framework. Austrians would predict severe problems of calculation and distortion in Roemer's model; centralized determination of interest rates underlies Austrian Business Cycle Theory, and Roemer would advocate far more extreme adjustments than have previously been made.

Yunker (2001) relies heavily on neoclassical methodology for his critique of the market, but does address certain arguments made by Ludwig von Mises that applied to his market socialist proposal. David Schweickart proposes a market socialism which completely eliminates the stock market and replaces interest paying to private individuals with a general capital tax.[8] Market socialists should know better than to propose such solutions. In the Soviet Union a capital charge was introduced (similar to Schweickart's tax), and this was not an adequate solution (Nell 2010). One of the central lessons of the experiment with central planning was that resource allocation without a capital market is highly inefficient. Although Keynes (1936) argued that animal spirits affect "aggregate demand" and cause business cycles, and hence that "that a somewhat comprehensive socialisation of investment will prove the only means of securing an approximation to full employment," economists long before Keynes and long after Keynes, have recognized the role of the investor and private creditors in resource allocation.

David Prychitko (1991: 86) analyzes Branko Horvat's "self-governing socialism," arguing that the calculation problem pertains to it as well, despite the decentralized nature of such a system, so long as ownership of capital goods is not private. Horvat's arguments closely resemble Oskar Lange's (1956 [1936,1937]) case for market socialism:

> Spontaneous pricing of capital goods is eliminated through the social planning requirement of self-managed socialism: "the task of the Planning Bureau is to accomplish ex ante coordination of economic activities on the basis of the relevant set of preferences" The notion of consumers' sovereignty--a market for consumer goods--will apparently supply the information that reveals "the relevant set of preferences."
>
> With this in mind, Horvat's argument that the market can be used to "inform" the plan becomes more understandable, in theory. The data supplied by the consumer goods market can be used to socially plan the capital structure, imputing the equilibrium values of lower-order goods to higher-order goods (the socially owned means of production). This is similar to Joseph Schumpeter claim (in defense of Oskar Lange's model) that equilibrium prices in the consumer goods market can be used to technically impute the values of corresponding higher-order capital goods.

Prychitko argues that this is not possible; a market for capital goods is required for economically rational decision-making in the process of production. "[The market] allows those within an enterprise, using their limited and tacit knowledge of their particular horizon, to integrate their timely production plans in the complex structure of the community of producers as a whole." However, this is only possible with private ownership, exchange, and profit and loss accounting. This was the central argument of the Austrian school against Marx and against Lange. In fact, consumer goods markets existed to about the same extent in the Soviet Union as they did in Lange's model of market socialism (Nell 2010b). The problem, as Mises (1996) explained, is that without a capital goods market, the consumer goods market is not a true market—producing firms must be able to bid on capital goods in order to produce what consumers demand efficiently and in the right amounts. Prychitko (1997) makes essentially the same case against the "left anarchism" of Murray Boochkin.

Other market socialists offer proposals that attempt to walk a line between full socialization of capital and simple redistribution of capital income (see, e.g., Bardhan and Roemer (1993)). In some of them workers manage or own large firms, while in others investment funds are managed by the state, or shares are tradable but not saleable for cash. Although some of the problems with centralized investment may be surmounted by such schemes, they may still fall prey to some relatively serious Austrian criticisms of intervention (such as price distortion or knowledge problems). However, if the only intervention taken was a very generous, but highly (market socialist) libertarian, income redistribution scheme, Austrians and market socialists might find common ground.

A Shared Market Socialist – Austrian Vision

Market socialists have offered visions ranging from ones that eliminate capital markets, and even border on central planning, to ones that merely supplement income, empower workers, and limit the growth of firms. Clearly, the latter end of this spectrum is where the Austrians and market socialists may converge. As already discussed, eliminating capital markets is not workable. The elimination of capital markets leads to the destruction of all markets. On the other hand, supplementing the income of the disabled may improve upon the Austrian free market solution.

Demonstrated preferences in the Rothbardian tradition is a flawed basis for determining welfare in the free market. Individuals do not start off equally or have equal earning potential, and some have no earning potential whatsoever but still quite obviously have preferences. Their choices in the market are not purely voluntary, but express choices made from necessity. Maximization of welfare would also require that preferences of necessities be filled for all before the less-valued preferences for luxuries are filled for a minority. Furthermore, the concept of demonstrated preferences fails to account for the shaping of preferences by the market environment, in a dynamic, evolutionary cyclical fashion, as must occur in a market society. Although the market appears to fulfill preferences well, these considerations indicate that redistribution may be necessary and efficient for optimal social welfare.

Obviously, if the standard is equal earning potential, one could quickly be led to equalizing scenarios such as those in Kurt Vonnegut's short story, *Harrison Bergeron*, such as weighing down the legs of ballerinas, and shooting pain into the minds of intelligent men. In fact, some market socialist discussions (for example, Abell (1989)) are reminiscent of this. Yet, taxation, and income support or vouchers could play this role instead. Although we cannot know all preferences, as is required for central planning, we can know basic necessities referred to by Menger.

All individuals can never be given a completely equal start, and the differences in earning potential cannot be erased. However, a policy that offers all individuals a safety net and a head start could help to ensure opportunity for all those who can work, and subsistence for all those who cannot. Market socialists and Austrians agree that all human needs and wants cannot be known to a central planner. For example Miller (1989b:39) argues[9] that,

> [T]he idea of universal human needs is not entirely bogus: clearly there are prerequisites which all of us must have to survive and flourish, such as adequate food, protection from the elements, and so forth. But such a list is not going to be very extensive, and, more important, the more affluent a society becomes, the smaller a proportion of its output will be required to cover these items. … If the critic tries to extend the list of universal needs beyond the basic essentials, he can be charged with arbitrarily attempting to impose his preferences on others who do not share them. For the fact is that people have very different ideas about how life should be lived beyond bare survival, and so their priorities in terms of goods and services they want to have also vary greatly. Rather than attempting to impose spuriously uniform needs on individuals and societies, we should be trying to create an environment in which the most diverse styles of life can coexist harmoniously.

Austrian economists would certainly agree with that sentiment. Note that he admits of a certain limited set of necessities which all humans do need: food, shelter of some sort, and one might add, basic health care or health insurance. Of course, if the state attempted to provide these for all persons it could cause known problems that Austrians and market socialists both have cited: uniform provision for a complex product and changing demand, lack of competition and consumer sovereignty that comes with public ownership, and the inability to know the appropriate amount to produce or how best to produce the goods.[10] Yet, we may still recognize these known basic needs that all humans share, and admit that lack of demonstration of these needs in the market may not be evidence of humans who can live without food, but rather of humans who are unfortunate enough not to be unable to work. From this launching-off point, we may find a solution that Austrians and market socialists can agree to.

Given the earlier discussion regarding the endogenous exaggeration of the preferences of the wealthy, and reduced demonstration of the preferences of the disabled, less materialistic, and unlucky members of society, a potential starting point for attenuation of market "failures" might be an income support or voucher scheme. This would avoid issues of public ownership and public provision, as well as the primary distortions that Austrians find in interventionist policies. Instead, increasing the purchasing power of the disabled would represent a *correction* of the market.

Implementation of such a scheme may still pose practical hurdles. How could a government determine who should receive income support? If only the most unable to work receive income support, this might fall well short of correcting the market's lopsided provision. However, it would be impossible to determine who beyond these few should receive support, and selectively offering support to a greater number would create incentives for "undeserving" individuals to change their behavior, if in fact there are such categories as "deserving" and "undeserving," which is a questionable hypothesis even in theory. Furthermore, those who receive income support may choose to spend it in such a way as to actually reduce their earning capacity, for example by spending it on drugs, holidays, or dangerous recreational activities.

For these reasons, the most appropriate sort of solution may be to provide all adults with vouchers for Mengerian basic necessities, redeemable only through documented purchases, plus additional support for the highly disabled or sick. For example, the current market price for a median rent[11] or monthly mortgage ($700), basic groceries[12] ($200), and health insurance[13] ($600) comes to approximately $1500. For a smaller portion of elderly, disabled or ill, vouchers could be provided at a higher level, which could be determined on a case-by-case basis.[14] Additionally, educational vouchers could be provided.[15]

By providing every healthy adult with the same level of income support, the many complications of choosing who is worthy and what is fair are eliminated at one stroke. Providing only the highly disabled or sick with further support reduces the bureaucracy involved in determining appropriate levels of support for the needy to a tolerable level. Vouchers for necessities instead of cash offer at least two further advantages. First, there is far less chance that the resources will be spent on destructive activities that further reduce earning capacity. Second, the correction of the market toward greater production of necessities, especially the necessary health care for the disabled but also the necessary housing, food and medical care for those with lower earning capacity, is guaranteed. This would ensure that individuals have their primary needs met and free any additional income of low-earning individuals to fill secondary (but still relatively important) preferences. This would also ensure that these are not "coerced" choices, made because the individual's income could only stretch to cover certain types of necessities. If all basic necessities are ensured, then income can be spent truly demonstrating the preferences of the individual.

This may sound like a very expensive scheme, and one which would entice many out of the labor market. However, there are a few things to consider. First, if this were to replace the current set (for example in the United States) of welfare programs, social security, Medicare, subsidies for certain kinds of business, tax credits, and other kinds of intervention, it would actually represent a very cheap solution that could be funded with a low flat tax. For 300 million individuals, the annual cost of the monthly $1500 of vouchers would be $450 billion; add to this amount vouchers for the disabled and a budget for education vouchers, and it should still sum to less than is currently spent.[16] The U.S. "human resources" budget, which covers Medicare, social security, education and welfare, came to about $1.75 trillion in 2007.

Second, there would be two counteracting forces that would affect the dynamic cost: the exit from the labor market of those pleased with a monthly income capable of covering only bare necessities, and the growth effects of eliminating all of the current interventions and public sector firms, and replacing the current convoluted tax and subsidy system with a low flat tax.

As far as the first is concerned, the monthly subsidy of $1500 is similar to the current provision by the British government, once housing benefit, unemployment insurance ("dole"), and medical care through the NHS are considered. Although these benefits do likely reduce labor market participation, and long-term unemployment is higher in the UK than the US, labor market participation overall is not significantly lower.[17] Furthermore, some part of the lower participation in the UK and Europe, compared to America, is probably due to labor market rigidities (Siebert 1997). There also may be some benefits to a reliable source of income between jobs (Sjöberg 2008).

Importantly, there would be no effective marginal tax due to the proposed income support program because it would not be lost once paying work was undertaken. Although many individuals remain "on the dole" in the UK for long periods, without actively looking for work, many do work part time and might work more if they did not have to report the work and lose their benefits when they did. A law review article (Mackinnon 1995) makes this case, arguing "An alternative [to unemployment insurance] would be a universal (non-targeted) guaranteed basic income scheme under which all citizens receive a standard sum to which they can add income without penalty, which, despite an impact on the market economy, would be preferable insofar as it would be less likely to create poverty traps and a low paid underclass."

Surely the growth effects to eliminating the almost endless jungle of taxes, subsidies, and credits would be enough that a basic income scheme would represent a vast improvement over the current system.

Conclusion

Market socialists represent the economists who have taken the Austrian arguments against central planning most seriously. Unlike Austrian economists, market socialists continue to argue for sometimes radical interventions to correct perceived inequities in a pure laissez-faire economy. Some of these proposals are still subject to Austrian criticism, but others may actually correct the market in ways that clear-headed Austrian analysis can support. The distinction between willingness to pay and ability to pay has been ignored by many Austrian economists. When taken into account, and joined with other insights that Austrian economists and market socialist economists agree on, this insight points toward potential policy solutions that the two schools might agree upon.

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[1] Nell (2010) summarizes ten economic and policy lessons from the Soviet experience. The only other analytic exploration of specific Soviet policies, lessons from them, and application to theory and policy that I am aware of is Berliner (1993), a prominent Sovietologist writing about lessons regarding technological innovation from the Soviet experience and their potential relevance for market socialist economies, an essay that appears in *Market Socialism: The Current Debate*. However, the lessons may have been incorporated by mainstream economics without such a rigorous and explicit treatment; see, for example, Ellman (2009).

[2] Many Austrian economists have criticized Rothbard's welfare theory. Patrick Gunning (2004: 25) critiqued Austrian welfare theory, and Rothbard's demonstrated preferences arguing the following. "A moment's reflection indicates that while making a choice necessarily implies preference, the existence of observable behavior does not necessarily imply either choice or preference." However, in this critique Gunning did not expressly mention that the lack of choice might be due to circumstances of necessity. Instead he continued: "A person could behave in a particular way on spontaneous impulse, as a result of operant conditioning, through reflex, or out of habit."

Also see Cordato (1992) and Prychitko (1997). For a harsh critique of Rothbard from a perspective of internal consistency, see Kvasnička (2008).

[3] For some Austrians, this may even includes the services of property rights protection and law enforcement. There is a subset of Austrian economists focusing on private property anarchism. For example, the Austrian economist Peter Leeson has studied this topic and for an upcoming Handbook of Austrian economics for Edward Elgar publishing, Leeson authors an article "Anarchy Unbound: How Much Order Can Spontaneous Order Create?"

[4] Although, as Rothbard argues, one cannot say whether they would have in fact increased their ex-post utility if one admits that they may have had incorrect perceptions about the products that they would have purchased, this equally cuts against Rothbard's arguments against government interference, and can be left aside for now.

[5] The discussion below about freedom is purely for the definition of 'voluntary' which is for the analysis of demonstrated preferences and welfare—however it could be the basis for a discussion of freedom in market society versus market socialist society more generally, which is where David Miller takes the argument.

[6] Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2008, Appendix III, table V, online at: http://www.cdc.gov/nchs/data/series/sr_10/sr10_243.pdf

[7] The Roemer model is as follows (summarized by David Schweickart, 1998):

1. All the stocks of all the corporations in the country have been redistributed, so as to give each citizen, initially, a per-capita share. Each citizen at birth receives a stock portfolio, and hence an entitlement to a share of the dividends generated by the companies whose stocks she holds. When she dies, the stocks return to the government. These stocks, once acquired, may be traded for other stocks, but they may not be sold for cash. (Hence it is impossible for the rich to buy out the poor and obtain a controlling interest in the economy.)
2. All banks are nationalized. These banks collect funds from private savers and make loans to businesses, using substantially the same criteria as capitalist banks.
3. The management of a corporation is determined by the corporation's board of directors, which is comprised of delegates of the main commercial bank from which it gets its funding, representatives of the firms workers, and representatives of the stockholders.
4. The government undertakes significant investment planning, using differential interest rates to encourage or discourage certain kinds of special investment.
5. Capitalist firms are permitted, if started by an entrepreneur, but a firm is nationalized (with compensation) when it reaches a certain size, or on the death of the founder, and shares of its stock redistributed to the general public.

[8] "In Economic Democracy there is no stock market, for there are no stocks. The capital assets of the country are thought of as collective property, but they are controlled by the workforces that utilize them. That is to say, each enterprise is run democratically, with workers legally empowered, one person, one vote, to elect the enterprise's management. …Worker self-management is the first defining feature of Economic Democracy. The second feature…is its mechanism for generating and dispensing funds for new investment…. [Instead of savings] Economic Democracy relies on taxation. Each enterprise must pay a tax on the capital assets under its control. (This tax may be thought of as rent paid society for access to the collective property of society.) Economically this tax functions as an interest rate on capital—and thus obviate the necessity of paying interest to private savers. Generating the investment fund by taxing enterprises rather than by "bribing" individuals to save not only shuts down a major source of capitalist inequality, namely interest payments to private individuals, but it frees an economy from its dependence on the "animal spirits" of savers and investors." (Schweickart, Lawler, Ticktin, Ollman 1998: 17)

[9] Elsewhere Miller, (1989: 146-150) explores this concept a bit further.

[10] Some market socialists have argued that true fairness requires public provision. Miller (315-17) discusses preference altruism and needs altruism:

"The contrast between preference altruism and needs altruism has an obvious bearing on the case for a welfare state. Preference altruists will in general want to provide the objects of their concern with readily convertible resources, enabling them to reach their highest level of (self-defined) welfare--the simplest form of provision being cash redistribution. Thus

they will be attracted to negative income tax schemes and the like. …Needs altruists will want to ensure that certain specified needs are met, and will favour provision in kind, with barriers to the conversion of the resources supplied into other forms."
This seems too sharp a dichotomy. I argue here for "needs altruism" yet I do not argue for in-kind provision, due to the many distortions such programs create. Vouchers offer "barriers" without requiring in-kind provision.

[11] The US Census lists the median rent for the year 2000 as $600, and the Global Property Guide lists the 2009 median rent at $680. See,
http://www.census.gov/hhes/www/housing/census/historic/grossrents.html
http://www.globalpropertyguide.com/North-America/United-States/Price-History

[12] Official USDA food plans: cost of food at home at four levels, U.S. average, April 2004, adjusted slightly up for inflation. See,
http://findarticles.com/p/articles/mi_m0EUB/is_1_16/ai_n6206921/

[13] The Medical Expenditure Panel Survey lists "Family-level out-of-pocket expenditures on health insurance premiums, among nonelderly families, by insurance status and family size, United States, 2006" As all of these numbers are for a single individual, I'm using the individual private premium rate of $566, adjusted slightly for inflation.
http://www.meps.ahrq.gov/mepsweb/data_files/publications/rf29/rf29.shtml

[14] Medicaid costs about $350 billion per year; this might suggest the ballpark figure for offering medical care for the chronically ill, disabled, and those unable to work enough to afford insurance or who have expensive preexisting conditions. However, vouchers arguably might be cheaper than the bureaucratic Medicaid program.
http://www.stateline.org/live/ViewPage.action?siteNodeId=136&languageId=1&contentId=16625

[15] $91 billion is currently spent on combined education services in the US. $70 billion is spent in the UK for all pre-school, primary, secondary and tertiary education for a total population 61 million population. Scaling up to 300 million in the US, this would be about $350 billion.
See the United States Federal Budget Outlays By Superfunction And Function, available here:
http://www.gpoaccess.gov/usbudget/fy10/hist.html
And http://www.hm-treasury.gov.uk/d/pesa09_chapter5.pdf

[16] $450 billion added to $350 billion as a generous estimate for the disabled and chronically ill, plus a very generous $350 billion allowance for schooling from cradle to college, would still only total $1.15 trillion.

[17] Organization for Economic Cooperation and Development (OECD), Directorate for Employment, Labour and Social Affairs, Key employment statistics:
http://www.oecd.org/document/53/0,3343,en_2649_39023495_42788213_1_1_1_1,00.html
(last accessed August 2010)